

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
(Alexandria Division)**

In re: GUNNING MOTORS, INC. Debtor	Case No. 10-11896-RGM Chapter 11
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**MOTION OF DEBTOR TO OBTAIN UNSECURED CREDIT AND TO
SURCHARGE THE COLLATERAL OF
CHRYSLER FINANCIAL SERVICES, LLC**

Gunning Motors, Inc., debtor and debtor in possession herein, by its counsel, pursuant to 11 U.S.C. §§364(b) and 506(c), moves this Court for an order authorizing it to borrow funds outside the ordinary course of business, and to surcharge the collateral of Chrysler Financial Services, LLC (“Chrysler Financial”) as more specifically described below, and in support thereof, states as follows:

1. Debtor filed for relief under chapter 11 of title 11 of the United States Code on March 13, 2010. Since that time it has operated as a debtor in possession, in control of its business and property.
2. No trustee or committee of unsecured creditors has been appointed in this case.
3. On April 1, 2010, Debtor filed its Motion For Order (A) Authorizing Sale of Debtor’s Assets Free and Clear of Any Claims, Liens and Encumbrances and the

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Assignment of The Existing Lease, (B) Approving Break Up Fee and (C) Approving Bidding Procedures (“Sale Motion”). The buyer is Brown Automotive Group (“Brown”). The sale is contingent upon the buyer entering into a dealership agreement with Subaru of America (“SOA”) to operate as a Subaru dealer on the property owned and leased by the Debtor and located at 9018 Liberia Avenue, Manassas, Virginia.

4. After the filing of the Sale Motion, Lindsay Automotive Group (“Lindsay”) submitted a competing bid and Rosenthal Automotive Group (“Rosenthal”) indicated it was also interested in submitting a competing bid. Brown, Lindsay and Rosenthal are collectively referred to as the “Bidders”.

5. Chrysler Financial filed an objection to the Sale Motion; SOA filed a motion seeking leave to terminate its dealership agreement with the Debtor; and Chrysler Financial filed a motion seeking leave to foreclose on its deed of lease secured by 9018 Liberia Avenue. The Sale Motion and each of the aforementioned matters was set for hearing on June 3, 2010.

6. Prior to the hearing, the Debtor met with representatives of and counsel for SOA, Chrysler Financial and the Bidders in an attempt to resolve the various matters before the Court. At the request of the parties (with the exception of Brown who objected to the continuance and requested that the auction proceed on June 3rd), the Court ordered that that (i) the hearings on the aforesaid motions would be continued until July 12, 2010, (ii) the Bidders would have until June 24, 2010 to submit to SOA completed SOA dealership applications; (iii) SOA would review the applications, and if appropriate, meet with Brown, Rosenthal and/or Lindsay and make a determination as whether or not it would approve any or all of the Bidders for a new dealership agreement.

7. Because the Debtor was without sufficient cash to continue operations, and the parties felt it was in their best interest for the Debtor to maintain some level of operations, the Bidders agreed that they would lend to the Debtor \$94,624, an amount sufficient to cover operating expenses through the July 12, 2010 hearing (the “Operating Loan”). Attached hereto is a copy of the proposed Operating Loan agreement. Each of the Bidders will lend one third (1/3) of the Operating Loan amount, and each will be repaid from the proceeds of the sale of the Purchased Assets, as that term is defined in the Sale Motion.

8. Chrysler Financial has a lien on the Purchased Assets, which secures a loan in the approximate amount of \$775,000. The Debtor has guaranteed approximately \$4,800,000 in loans made to an affiliate, Gunning Construction, Inc., which funds benefited the Debtor. The guaranty is also collateralized by a lien on the Purchased Assets. Chrysler Financial has consented to repayment of the Operating Loan from the sale proceeds of the Purchased Assets and real property owned by Gunning Construction, Inc. at 9020 Liberia Avenue, Manassas, Virginia.

WHEREFORE, the Debtor asks this Court to enter an order approving the Operating Loan under the terms and conditions set forth in Exhibit A, and providing that the funds advanced by the Bidders under the Operating Loan will be repaid from the proceeds of sale of the Purchased Assets and the 9020 Liberia Avenue property, and that the Court grant such other relief as is appropriate.

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Certificate of Service

I hereby certify that a true and correct copy of the foregoing was served this 4th day of June, 2010 on all parties on the attached mailing matrix by U.S .Mail and on the following by electronic mail and First class mail:

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/s/ Ann E. Schmitt